

Message Text

CONFIDENTIAL

PAGE 01 VIENNA 04321 261519Z

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 EURE-00 EB-07 OMB-01 TRSE-00

ACDA-07 MC-02 PM-04 NSC-05 SP-02 SS-15 L-03

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P R 261437Z MAY 77

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIORITY 1864

INFO USDOC WASHDC

SECDEF WASHDC

AMEMBASSY STOCKHOLM

AMEMBASSY TEL AVIV

USCINCEUR VAHINGEN

C O N F I D E N T I A L VIENNA 4321

EO 11652: GDS

TAGS: BEXP, BBAK, MASS, AU

SUBJ: SALES PROSPECTS FOR NORTHROP F-5ES TO AUSTRIA

REF: A) STATE 115375; B) STATE 115409; C) STATE 115244,
D) VIENNA 3480

1. AS WASHINGTON AGENCIES AWARE, EMBASSY HAS FOR SOME TIME BEEN ASSISTING NORTHROP'S EFFORTS TO SELL F-5ES TO GOA TO REPLACE OBSOLESCENT SAAB 105 AIRCRAFT. THE AMERICAN PLANE IS A VERY KEEN COMPETITION WITH ISRAELI KFIR AND SWEDISH VIGGEN, WHICH ARE BEING PROMOTED AGGRESSIVELY BY RESPECTIVE GOVERNMENTS AND OFFERED WITH ATTRACTIVE OFFSET ARRANGEMENTS. GOA HAS MADE QUITE CLEAR THAT OFFSET WILL BE CRUCIAL FACTOR IN ANY PURCHASE DECISION.

2. IN EFFORT TO HELP NORTHROP CATCH UP TO COMPETITON (WHICH WAS WAY AHEAD) EMBASSY RECENTLY MADE EFFORT DESCRIBED REFTEL (D), WHICH WAS WELL RECEIVED BY THE AMERICAN MANUFACTURER. AS RESULT OF MEETING WITH
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 VIENNA 04321 261519Z

AUSTRIAN TRADE MINISTER, NORTHROP IS ARRANGING FOR ITS SURVEY TEAM TO CONDUCT ON-SITE EXAMINATION OF AUSTRIAN INDUSTRIAL OUTPUT WHICH MIGHT BE OF INTEREST TO US IMPORTERS (I.E., A RUDIMENTARY OFFSET SURVEY). THIS SURVEY IS EXPECTED TO TAKE PLACE IN JUNE. IN ADDITION, NORTHROP HAS ADDED LEADING (NATIONALIZED) AUSTRIAN STEEL PRODUCER TO LIMITED LIST OF FIRMS

ELIGIBLE TO BID ON CONTRACT NORTHROP HAS IN SAUDI ARABIA. FINALLY, IT HAS ARRANGED FOR VICE PRESIDENT GATES TO MEET WITH AUSTRIAN DEFENSE MINISTER IN SECOND WEEK OF JUNE. IT HAS REQUESTED EMBASSY TO MAKE FOLLOW-ON APPOINTMENTS FOR GATES WITH TRADE AND FINANCE MINISTERS (WHO ALSO FIGURE PROMINENTLY IN ANY MAJOR GOA PROCUREMENT DECISION) BUT WE HAVE NOT YET ACTED ON THIS REQUEST.

3. WHILE WE HAVE CONSISTENTLY EMPHASIZED TO THE GOA AND TO NORTHROP THE DIFFICULTIES THE USG WOULD HAVE WITH ANY OFFSET ARRANGEMENTS INVOLVING THE USG, ALL PARTIES CONCERNED ARE AWARE THAT THE USG HAS MADE SUCH AN AGREEMENT WITH SWITZERLAND. WE HAVE EMPHASIZED TO NORTHROP THE NECESSITY FOR GETTING WASHINGTON READINGS ON OFFSET PROSPECTS BEFORE COMMITTING THEIR RESOURCES AND GENERATING POSSIBLY FALSE HOPES WITH AUSTRIANS THAT WOULD NOT HELP EITHER NORTHROP OR US.

4. THE RELEASE OF THE NEW ARM SALES POLICY (REFTELS (B) AND (C)) IN THE MIDST OF THE PROCESSES DESCRIBED ABOVE RAISES FURTHER QUESTIONS ON WHICH WE NEED GUIDANCE. QTE COMMERCIAL SALES UNQTE (WHICH WOULD SEEM TO DESCRIBE THE NORTHROP CASE) ARE, WE TAKE IT, EXCLUDED FROM THE OVERALL QTE SET OF CONTROLS UNQTE ESTABLISHED IN THE POLICY ANNOUNCEMENT (PARAGRAPH C-1). HOWEVER, PARAGRAPH C-5 OF THE SAME MESSAGE ENJOINS EMBASSIES FROM PROMOTING ARMS SALES. THE SUPPLEMENTARY TALKING POINTS (REF (A)) ON THE OTHER HAND
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 VIENNA 04321 261519Z

INSTRUCT US TO ASSURE THE AUSTRIANS (WHICH WE HAVE) THAT WE WILL QTE CONTINUE TO USE ARMS TRANSFERS TO SUPPORT THE SECURITY OF OUR CLOSE FRIENDS UNQTE.

5. WE FEEL THAT THINGS ALREADY LAID ON (E.G. THE SURVEY BY NORTHROP'S INDUSTRIAL TEAM WITH THE ASSOCIATED PRELIMINARY VISITS; THE MEETING OF NORTHROP VP GATES WITH THE MINDEF) SHOULD RUN THEIR COURSE. 8, LIGHT OF INTERPRETATION OF ARMS SALES POLICY NOTED ABOVE AND FACT THAT A US OBJECTIVE IS TO ENCOURAGE AUSTRIANS TO MODERNIZE THEIR VERY LIMITED DEFENSE FORCES, WE WOULD LIKE TO CONTINUE TO ASSIST NORTHROP'S EFFORTS TO MAKE SALE THROUGH MEASURES SUCH AS WE HAVE BEEN TAKING, BUT REQUEST WASHINGTON GUIDANCE. FINALLY, WE WOULD ASK WASHINGTON AGENCIES TO GIVE GUIDANCE TO NORTHROP AND THE EMBASSY REGARDING THE EXTENT WASHINGTON AGENCIES WOULD BE PREPARED TO GO TO SUPPORT NORTHROP'S EFFORTS TO ARRANGE OFFSET PURCHASES.

6. BECAUSE OF LIMITED TIME BEFORE SCHEDULED
NORTHROP VISITS, A PROMPT REPLY WILL BE
APPRECIATED.MEEHAN

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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 26-May-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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